

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Larry Murphy	Mayor	January 2014
Bruce Bearinger	Council Member	January 2014
Kevin Stickel	Council Member	January 2014
Rex Ericson	Council Member	January 2014
Paul Ryan	Council Member	January 2016
Jim Petersen	Council Member	January 2016
Peggy Sherrets	Council Member	January 2016
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oelwein's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 17, 2012 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over

financial reporting or on compliance. That report are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages I through VIII and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the ten years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 17, 2012

CITY OF OELWEIN
20 2nd Ave SW, Oelwein, IA 50662
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor
Rex Ericson, Mayor Pro Tem
Peggy Sherrets, 1st Ward Council
Kevin Stickel, 2nd Ward Council
Jim Petersen, 3rd Ward Council
Bruce Bearinger, Council-At-Large
Paul Ryan, Council At-Large

Steven Kendall, City Administrator
Barbara Rigdon, Deputy City Clerk
Ron Van Veldhuizen, City Attorney
Jeremy Logan, Police Chief
Wally Rundle, Fire Chief
Victor Kane, Utilities Superintendent
Tom Stewart, Street Superintendent
Susan Macken, Librarian
Durango Steggall, Park Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements that begin on page 4.

FINANCIAL HIGHLIGHTS

The City's total revenues exceeded total expenses by \$640,689 for the year, resulting in an increase in total net assets of approximately 15% over the previous year.

The City acting as the lead agency received a Homeland Security grant of \$318,000 for the 15 county LEIN region to provide for equipment, salaries and expenses in law enforcement.

The City continued to administer a Neighborhood Stabilization grant in the amount of \$1,000,000 which was awarded to the city in 2008 for the purchase and redevelopment of foreclosed upon properties to be either demolished and either be rebuilt upon or vacant lots sold to area low-to-moderate income households. Construction of two new single family homes and a duplex took place during this period.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.40% of earnable compensation. Employer contribution for this audit period (2010-2011) was 24.76% of compensation. The employer rate for FY 11-12 will be 26.12%. This rate will be 30.12% on July 1, 2013 as State mandated enhanced pension benefits become effective. By comparison the City's rate was 17% in FY 09-10. In 2000 11.12% would have been sufficient to fully fund the MFPRSI.

Most other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 8.07% for regular employees. IPERS employees contribute 5.38% of earnable compensation. These figures will increase on July 1, 2012 to 8.67% and 5.78%.

The City's General Fund ended the year with a fund balance of \$254,792. The recommended General Fund balance should be at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$471,479. Therefore, the General Fund year end balance was less than the rule of thumb..

The City continued with construction to separate the water system into two pressure zones. The water main construction \$2,344,000 project will be completed this fall. The booster pumping station was finished in 2011 and the 8th Avenue SE Water Main Replacement is scheduled for completion by December, 2012. The City is funding this with a \$600,000 Community Development Block Grant and \$1,700,000 from the State Revolving Loan Fund.

The First Avenue Lift Station replacement and 3600' of force main and 1400' of gravity sanitary sewer project allows expansion in the Industrial Park and is nearing completion. \$605,000 in I-Jobs Funding has been pledged towards the \$1,502,881 cost. State Revolving Loan funds have been obligated for the balance.

This fiscal year the City entered into agreements with Quality Plus Mfg. to provide up to \$750,000 in 90% property tax rebate incentives over 10 years to locate in the Oelwein Industrial Park and create 30 jobs.

\$571,933 in incentives were pledged to Transco in exchange for a \$2,000,000 expansion and 10 new jobs.

The City refinanced \$2,900,000 in bonds which would cut interest payments and thereby save the City \$200,000 over the course of the loan.

The Oelwein Municipal Airport Terminal Building was completed this year. The FAA Grant funded 95% of this \$435,000 project.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of the following parts:

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

Basis of Accounting

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City 's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$3,485,110 to \$3,629,180. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts and transfers		
Program receipts:		
Charge for service	\$ 123	141
Operating grants and contributions	1,102	1,194
Capital grants and contributions	961	459
General receipts:		
Property tax	2,088	2,147
Local option sales tax	981	844
Tax Increment taxes	101	78
Investment Earnings	237	210
Other general receipts	583	527
Total Receipts	6,176	5,600
Other Revenue Sources	2,853	210
Total receipts and transfers	9,029	5,810
Disbursements:		
Public safety	1,736	1,657
Public works	846	722
Health and social services	40	36
Culture and recreation	832	735
Community and economic development	1,044	1,114
General government	363	349
Debt service	3,163	526
Capital projects	861	257
Enterprise	0	0
Total disbursements	8,885	5,396
Increase (decrease) in cash basis net assets	144	414
Cash basis net assets beginning of year	3,485	3,069
Cash basis net assets end of year	\$ 3,629	3,483

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency levy increased from \$704,747 in fiscal year 2010 to \$781,316 in fiscal year 2011 and \$840,320 in fiscal year 2012.

The cost of all governmental activities this year was \$8,885,022 compared to \$5,395,939 last year. However, as shown in the Statement of Activities and Net Assets on pages 5 and 6, the amount taxpayers ultimately financed for these activities was approximately \$6,742,629. (Again, these figures are temporarily inflated due to refinancing 2.9 million from the 2005 G.O. Bond.) This was possible because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with

grants, contributions and restricted interest totaling approximately \$2,210,447. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2012 to \$6,176,408 from \$5,599,778 in 2011.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$1,224	2,128
Sewer	1,894	1,405
Landfill	216	217
Recycling	80	82
Williams Center	99	105
Fuel Fund	136	138
General receipts:		
Unrestricted interest on investments	11	10
Bond proceeds	347	0
Other general receipts	30	24
Total receipts	4,037	4,109
Disbursements:		
Water	692	602
Sewer	596	574
Landfill	220	220
Recycling	82	82
Fuel fund	141	141
Wellness Center	171	175
Capital Projects	886	1,318
Debt Service	749	620
Transfers	3	33
Total disbursements and transfers	3,540	3,765
Increase (decrease) in cash balance	497	344
Cash basis net assets beginning of year	909	565
Cash basis net assets end of year	\$1,406	909

Total business type activities receipts for the fiscal year were \$4,037,000 compared to \$4,109,000 last year. Therefore disbursements and transfers for the fiscal year decreased by \$225,000.

Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$3,629,180, a increase of \$144,072 from last year's total of \$3,485,110. The following are the major reasons for the changes in fund balances of the major funds from the prior year.
- The General Fund cash balance decreased \$198,283 from the prior year to \$254,792.
- The Debt Service Fund cash balance increased by \$175,633 to \$208,753 during the fiscal year.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$107,538 to \$499,540.
- The Sewer Fund cash balance increased by \$219,912 to \$548,845.

Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

Debt Administration

At June 30, 2011 the City had approximately \$4,330,000 in general obligation bond debt. \$8,548,000 in other long-term debt, for a total of \$12,878,000.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30, 2012	2011
General obligation bonds	\$ 4,330	4,395
Urban renewal tax increment financing revenue bonds	0	0
Total	\$ 4,330	4,395
Sewer Revenue Notes	6,794	7,180
CEBA Loan Agreement	0	0
Economic Development Loan	18	52
Library Pledge Loan	0	0
Intermediary Relending Program	484	500
Water Revenue Notes	1,252	995
Total	\$ 12,878	13,122

Debt decreased during the 2012 fiscal year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,330,000 is below its constitutional debt limit of \$10,408,353.

Economic Factors and Next Year's Budget and Rates

The City Council considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities.

Expenditures financed from the 2011 Bond Sale will continue next fiscal year. The City Council has approved the necessary replacement of several old vehicles and equipment.

The City will continue construction on major water and sewer system upgrades during the next fiscal year. This is the first year of a four process installing water meters with radio read capabilities.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

FINANCIAL STATEMENTS

City of Oelwein

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,736,134	56,381	332,990	1,200
Public works	845,566	58,569	624,100	973
Health and social services	40,195	-	-	-
Culture and recreation	832,448	167,367	91,773	-
Community and economic development	1,044,115	-	-	396,932
General government	363,154	-	-	-
Debt service	3,230,960	-	-	-
Capital projects	860,504	-	-	480,162
Total governmental activities	8,953,076	282,317	1,048,863	879,267
Business type activities:				
Water	667,398	1,024,483	-	-
Water Improvements	447,609	-	-	200,029
Sewer	595,616	1,521,568	-	-
Sewer Bond Sinking	619,038	-	-	-
Nonmajor business type funds	1,207,969	560,597	-	372,031
Total business type activities	3,537,630	3,106,648	-	572,060
Total	\$ 12,490,706	3,388,965	1,048,863	1,451,327

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Special assessments
 Local option sales tax
 Hotel/Motel Tax
 Gas-Electric Franchise
 Unrestricted interest
 Miscellaneous
 G.O. Bond Proceeds
 SRF Debt Proceeds
 Rents
 Sale of Assets
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Cemetery Perpetual Care

Expendable:

Streets

Debt Service

Other Purposes

Unrestricted

Total cash basis net assets

See notes to financial statements

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(1,345,563)	-	(1,345,563)
(161,924)	-	(161,924)
(40,195)	-	(40,195)
(573,308)	-	(573,308)
(647,183)	-	(647,183)
(363,154)	-	(363,154)
(3,230,960)	-	(3,230,960)
(380,342)	-	(380,342)
(6,742,629)	-	(6,742,629)
-	357,085	357,085
-	(247,580)	(247,580)
-	925,952	925,952
-	(619,038)	(619,038)
-	(275,341)	(275,341)
-	141,078	141,078
(6,742,629)	141,078	(6,601,551)
1,866,533	-	1,866,533
222,058	-	222,058
100,755	-	100,755
121,720	-	121,720
504,907	-	504,907
35,904	-	35,904
440,050	-	440,050
32,916	11,492	44,408
359,722	-	359,722
2,885,000	-	2,885,000
-	347,011	347,011
203,732	-	203,732
110,440	-	110,440
2,962	(2,962)	-
6,886,699	355,541	7,242,240
144,070	496,619	640,689
3,485,110	908,941	4,394,051
\$ 3,629,180	1,405,560	5,034,740
\$ 266,091	-	266,091
101,869	-	101,869
221,254	-	221,254
2,784,372	12,313	2,796,685
255,594	1,393,247	1,648,841
\$ 3,629,180	1,405,560	5,034,740

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2012

	General	Special Revenue		
		#48-Gas Franchise	#64-Employee Benefits	#66-Road Use Tax
Receipts:				
Property tax	\$ 973,244	-	840,320	-
Tax increment financing collections	-	-	-	-
Other city tax	-	440,050	-	-
Licenses and permits	80,746	-	-	-
Use of money and property	63,885	3,366	1,749	-
Intergovernmental	72,545	-	-	610,672
Charges for service	169,503	-	-	-
Special assessments	-	-	-	-
Miscellaneous	141,853	-	9,010	-
Total receipts	1,501,776	443,416	851,079	610,672
Disbursements:				
Operating:				
Public safety	958,443	-	460,766	-
Public works	131,032	-	158,703	523,970
Health and social services	-	-	-	-
Culture and recreation	653,417	-	118,057	-
Community and economic development	-	82,961	2,463	-
General government	218,876	-	144,278	-
Debt service	-	-	-	-
Capital projects	7,050	-	188	-
Enterprise	-	-	21	-
Total disbursements	1,968,818	82,961	884,476	523,970
Excess of receipts over disbursements	(467,042)	360,455	(33,397)	86,702
Other financing sources (uses):				
2011 Bond Proceeds	-	-	-	-
2011 Bond Premium	-	-	-	-
2011 Bond Expense	-	-	-	-
Operating transfers in	269,558	-	1,500	-
Operating transfers out	-	(139,010)	-	(63,450)
Total other financing sources (uses)	269,558	(139,010)	1,500	(63,450)
Net change in cash balances	(197,484)	221,445	(31,897)	23,252
Cash balances beginning of year	453,076	312,260	282,553	78,617
Cash balances end of year	\$ 255,592	533,705	250,656	101,869
Cash Basis Fund Balances				
Nonspendable-Cemetery Perpetual Care	-	-	-	-
Restricted For:				
Debt service	-	-	-	-
Other Purposes	-	533,705	250,656	-
Streets	-	-	-	101,869
Unassigned	255,592	-	-	-
Total cash basis fund balances	\$ 255,592	533,705	250,656	101,869

See notes to financial statements

EXHIBIT B

<u>#74-Library Bequests</u>	<u>Capital Projects #75-Economic Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	275,027	2,088,591
-	-	100,755	100,755
-	-	540,811	980,861
-	-	-	80,746
6,639	151,299	10,112	237,050
-	-	1,381,399	2,064,616
-	-	-	169,503
-	-	121,720	121,720
3,057	109,243	69,403	332,566
9,696	260,542	2,499,227	6,176,408
-	-	316,925	1,736,134
-	-	31,861	845,566
-	-	40,195	40,195
9,214	-	51,760	832,448
-	508,689	450,002	1,044,115
-	-	-	363,154
-	-	3,162,885	3,162,885
-	-	853,266	860,504
-	-	-	21
9,214	508,689	4,906,894	8,885,022
482	(248,147)	(2,407,667)	(2,708,614)
-	-	2,885,000	2,885,000
-	-	32,777	32,777
-	-	(68,055)	(68,055)
-	356,793	699,124	1,326,975
-	(71,938)	(1,049,615)	(1,324,013)
-	284,855	2,499,231	2,852,684
482	36,708	91,564	144,070
412,273	632,744	1,313,587	3,485,110
412,755	669,452	1,405,151	3,629,180
-	-	266,091	266,091
-	-	221,254	221,254
412,755	669,452	917,806	2,784,374
-	-	-	101,869
-	-	-	255,592
412,755	669,452	1,405,151	3,629,180

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2012

Total governmental funds cash balances (page 8)	\$ 3,629,180
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 8)	\$ 3,629,180
--	---------------------

Net change in cash balances (page 8)	\$ 144,070
---	-------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net assets of governmental activities (page 8)	\$ 144,070
--	-------------------

See notes to financial statements

City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2012

	Enterprise Funds					
	#61	#62	#67	#90		
	Water	Water Improvements	Sewer	Sewer Bond Sinking	Nonmajor	Total
Operating receipts:						
Intergovernmental	\$ -	200,029	-	-	372,031	572,060
Charges for service	951,963	-	1,501,560	-	517,892	2,971,415
Miscellaneous	72,520	-	20,008	-	42,705	135,233
Total operating receipts	1,024,483	200,029	1,521,568	-	932,628	3,678,708
Operating disbursements:						
Business type activities	667,398	447,609	595,616	-	1,207,969	2,918,592
Culture & Recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	386,000	-	386,000
Interest	-	-	-	215,400	-	215,400
Miscellaneous	-	-	-	17,638	-	17,638
Total operating disbursements	667,398	447,609	595,616	619,038	1,207,969	3,537,630
Excess (deficiency) of operating receipts over (under) operating disbursements	357,085	(247,580)	925,952	(619,038)	(275,341)	141,078
Non-operating receipts (disbursements):						
SRF Loan Proceeds	-	347,011	-	-	-	347,011
Interest on Investments	3,657	-	2,654	2,859	2,322	11,492
Total non-operating receipts (disbursements)	3,657	347,011	2,654	2,859	2,322	358,503
Excess (deficiency) of receipts over (under)disbursements	360,742	99,431	928,606	(616,179)	(273,019)	499,581
Operating transfers in	-	-	-	738,000	220,938	958,938
Operating transfers out	(203,900)	-	(758,000)	-	-	(961,900)
Net transfers	(203,900)	-	(758,000)	738,000	220,938	(2,962)
Net change in cash balances	156,842	99,431	170,606	121,821	(52,081)	496,619
Cash balances beginning of year	392,003	(141,841)	328,933	159,605	170,241	908,941
Cash balances end of year	\$ 548,845	(42,410)	499,539	281,426	118,160	1,405,560
Cash Basis Fund Balances						
Restricted for Williams Reserve	\$ -	-	-	-	12,313	12,313
Unrestricted	548,845	(42,410)	499,539	281,426	105,847	1,393,247
Total cash basis fund balances	\$ 548,845	(42,410)	499,539	281,426	118,160	1,405,560

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2012

Total enterprise funds cash balances (page 10)	\$ 1,405,560
---	---------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Cash basis net assets of business type
activities (page 6)**

\$ 1,405,560

Net change in cash balances (page 10)

\$ 496,619

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Change in cash basis net assets of business type
activities (page 6)**

\$ 496,619

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Upper Explorerland Regional Planning Commission, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2012

Jointly Governed Organizations (continued)

Association, American Public Works Association, Iowa Police Chiefs Association; Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, Upper Explorerland Regional Planning Commission (UERPC), International City Management Association (ICMA), and Midwest Organized Crime Information Center (MOCIC).

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2012

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Gas Franchise Fund is used to account for receipt and disbursements of Gas Franchise fees.

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The Library Bequest Fund is used to account for receipts and disbursements of funds bequested to the Library.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Improvement Fund accounts for the improvements to the water distribution system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2012

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The City's deposits at June 30, 2012, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2012.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2012

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		<u>Revenue Bond</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	490,000	108,558	491,000	252,270	981,000	360,828
2014	370,000	97,858	506,000	237,540	876,000	335,398
2015	490,000	90,458	521,000	222,360	1,011,000	312,818
2016	445,000	80,083	537,000	206,730	982,000	286,813
2017	460,000	229,085	553,000	190,620	1,013,000	419,705
2018-2022	2,075,000	162,202	3,029,000	693,840	5,104,000	856,042
2027-2031	-	-	2,767,000	210,990	2,767,000	210,990
Tot.	<u>\$4,330,000</u>	<u>768,244</u>	<u>8,404,000</u>	<u>2,014,350</u>	<u>12,734,000</u>	<u>2,782,594</u>

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements, acquiring equipment for the police, parks and general municipal departments..." and for "...paying the cost, to the extent, of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021. The balance at June 30, 2012 was \$1,080,000.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

In April 15, 2010 the City issued \$620,000 in General Obligation corporate purpose and refunding bonds, Series 2010A for the purpose of "...paying the costs, to that extent, of acquiring equipment for the police department and cemetery and refunding the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Notes, dated June 1, 2003." The loan matures on June 1 in each of the years commencing December 1, 2010. Interest is payable December 1, 2010 and semiannually thereafter on the first day of June and December of each year. Principal is payable annually each June 1 beginning June 1, 2012. Last payment to be June 1, 2015. Bonds are not subject to redemption prior to maturity. The balance at June 30, 2012 was \$365,000.

On September 1, 2011, the City issued \$2,885,000 in General Obligation Corporate Purpose and Refunding Bond, Series 2011A, for the purpose of paying the cost, to that extent, of acquiring equipment for the police, street, public works and municipal water works departments and advance refunding the City's General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures June 1 of each year starting June 1, 2013. Interest is payable June 1, 2012, and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2013 and annually on June 1, thereafter. The City has the right to prepay part or all of the Bonds maturing in each of the years 2019 to 2022, inclusive, prior to and in any order of maturity, on June 1, 2018, or on any date thereafter upon terms of par and accrued interest. Balance at June 30, 2012 was \$2,885,000.

Revenue Note:

In order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. The city has established a Sewer Revenue Bond Sinking Fund, from which is paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source. The balance on this debt at June 30, 2012 was \$6,794,000.

Revenue Note

In order to make improvements to the water distribution system in order to comply with IDRN recommendations has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$1,700,000 at a rate of 3%. Sewer Revenue Bonds will be issued. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bond are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2010. Principal is to be paid annually and is scheduled to commence June 1, 2012. The balance on this debt at June 30, 2012 was \$1,252,400.

4. Other Notes Payable

There is a line of credit for \$600,000 originally with Fidelity Bank of Oelwein, Iowa and subsequently half of this note was sold to Community Bank of Oelwein, Iowa. Original date January 9, 2004. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2012 was 5.25%. Due date is January 10, 2013. Purpose of the note was for the maintenance of the Donaldson Building. Note is secured by this building. The balance at June 30, 2012 was \$18,115.

5. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. The City is to pay interest only on this note April 25th of the years 2009, 2010 and 2012. Commencing April 25, 2012 and thereafter on each April 25th the City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made. During the year ended the City paid \$4,962 in interest on the note to USDA. Balance of note on June 30, 2012 was \$483,737.

6. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 17%, of earnable compensation. Contribution requirements are established by State statute. The statutory amount for the current year was 24.76%. The City's contribution to the Plan for the years ended June 30, 2012, 2010 and 2009 were \$152,225, \$117,159 and \$98,527, respectively, which met the required minimum contribution for each year.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2010 and 2009 were \$99,359, \$85,642, and \$78,768 respectively, equal to the required contributions for each year.

International City Management Association - The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes the IPERS rate plus three percent. The City's contributions to ICMA-RC for the years ended June 30, 2012, 2010 and 2009 were \$15,447, \$12,512 and \$10,930 respectively.

7. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 41 active members in the plan. There were no retired members in the plan at June 30, 2012. Participants must be 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under the age of 65 may stay on plan and must compensate the City at the same premium for the medical/prescription drug benefits as active employees. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$583 for single coverage and \$1,456 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$325,107 and plan members eligible for benefits contributed \$40,923 to the plan.

8. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$78,757. This liability has been computed based on rates of pay in effect at June 30, 2012.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

Employees can accrue 12 hours sick leave per month. Up to 130 days of sick leave are accumulated for subsequent use (known as the initial bank of sick leave). This initial bank of sick leave can only be used in the event of illness or injury and is not payable upon termination, retirement or death.

The City has agreed to contracts with four employees that if they reach the maximum 130 days for the initial bank of sick leave that employee earns sick leave hours known as the "Secondary Bank" of sick leave. This "Secondary Bank" of sick leave shall be paid only upon retirement from the City in the form of health insurance. Forty banked days would buy eight weeks of health insurance, sixty banked days would buy twelve weeks of health insurance, one hundred banked days would buy twenty weeks of health insurance and one hundred thirty banked days would buy twenty-six weeks of health insurance. These accumulations are not recognized as expenditures by the City, until used or paid.

9. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2012.

10. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2012, \$298,456 was paid pursuant to the agreement.

11. Deficit Fund Balances

Capital Project Funds - Airport Grant, Pave 10th St SE, and Iowa Brownsfield, and Proprietary Fund-Fuel, 1st Ave Lift, and Water Improvement had deficit balances at June 30, 2012, which the City considers temporary in nature. The City also had a deficit in the Capital Project Fund-Library Bond Fund which may need to be satisfied by a transfer of funds.

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfers to General	Transfers from Business Type:	Amount
	Sewer	\$20,000
	Debt Service	20,000

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

	Special Revenue:	
	Local Option Tax	152,943
	Industrial Park TIF	419
	Emergency	32,395
	James Dev TIF	5,901
	Road Use Tax	20,000
	Hotel/Motel Tax	<u>17,900</u>
		<u>269,558</u>
Special Revenue:	Special Revenue:	
1 st Time Home Buyer	Gas/Electric Franchise	1,000
Police Dept. Remodel	Gas/Electric Franchise	50,000
Trust & Agency	Lein	<u>1,500</u>
		<u>52,500</u>
Capital Projects:	Special Revenue:	
Economic Development	Sales Tax	356,793
Downtown Street Scape	Economic Development	1,000
Tri-Park Trail	2009 Bond Sale	33,606
Pave 10 th Street	2 nd St Curb/Gutter	<u>154,286</u>
		<u>545,685</u>
Debt Service:	Debt Service:	
Debt Service	Special Assessments	255,469
	Special Revenue:	
	Downtown TIF	38,403
	Road Use Tax	43,450
	Gas/Elec Franchise	88,010
	Business Type:	
	Water	<u>33,900</u>
		<u>459,232</u>
Business Type:		
Sewer Bond Sinking	Enterprise:	
Water Bonds Sinking	Sewer	738,000
Williams Center	Water	150,000
Williams Ctr Reserve	Capital Projects:	
	Economic Development	68,013
	Economic Development	<u>2,925</u>
		<u>958,938</u>
Total Interfund Transfers		<u>\$2,285,912</u>

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2012

13. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008. In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P. The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein. The City had eleven loans totaling \$488,428 under this program as of June 30, 2012.

15. Litigation

The City is a defendant in a pending lawsuit by a sub-contractor, but liability is limited to contract retainage which the City holds pending final determination by the court allocating retainage between contractor and sub-contractor.

The City has been notified of five potential claims and said claims have been forwarded to insurance carrier. Carrier says that City has coverage for these claims or there is no liability on these claims. The City has insurance coverage which will provide cost of defense and coverage for any established loss or judgment.

The City has also been notified of four additional claims which do not appear to be "grounded in law or fact." If a claim is made it will be submitted to the City's insurance company.

16. Subsequent Events

No subsequent events were noted that we believe needed to be noted. Subsequent events were considered by the City through October 17, 2012.

REQUIRED SUPPLEMENTAL INFORMATION

City of Oelwein
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budgetary Comparison Schedule
 All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 2,088,591	-
Tax increment financing collections	100,755	-
Other city tax	980,861	-
Licenses and permits	80,746	-
Use of money and property	237,050	11,492
Intergovernmental	2,064,616	572,060
Charges for services	169,503	2,971,415
Special assessments	121,720	-
Miscellaneous	332,566	135,233
Total Receipts	<u>6,176,408</u>	<u>3,690,200</u>
Disbursements:		
Public Safety	1,736,134	-
Public Works	845,566	-
Health and Social Services	40,195	-
Culture and Recreation	832,448	-
Community and Economic Development	1,044,115	-
General Geovernment	363,154	-
Debt Service	3,162,885	-
Capital Projects	860,504	-
Business type activities	21	3,537,630
Total Disbursements	<u>8,885,022</u>	<u>3,537,630</u>
Excess (deficiency) of receipts over (under) disbursements	(2,708,614)	152,570
Other financing sources (uses):	<u>2,852,684</u>	<u>344,049</u>
Net	144,070	496,619
Balance, beginning of year	<u>3,485,110</u>	<u>908,941</u>
Balance, end of year	<u>\$ 3,629,180</u>	<u>1,405,560</u>

See accompanying independent auditor's report

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	2,088,591	2,021,923	2,081,923	6,668
-	100,755	101,607	101,607	(852)
-	980,861	993,692	993,692	(12,831)
-	80,746	87,670	87,670	(6,924)
-	248,542	277,025	277,025	(28,483)
-	2,636,676	3,330,100	3,891,722	(1,255,046)
-	3,140,918	3,090,600	3,090,600	50,318
-	-	96,860	136,860	(136,860)
-	467,799	108,950	337,121	130,678
-	9,866,608	10,108,427	10,998,220	(1,253,332)
-	1,736,134	1,815,860	1,824,860	88,726
-	845,566	826,380	927,460	81,894
-	40,195	30,000	38,000	(2,195)
-	832,448	794,350	852,699	20,251
-	1,044,115	1,919,468	1,974,673	930,558
-	363,154	390,625	390,625	27,471
-	3,162,885	509,550	515,875	(2,647,010)
-	860,504	1,150,730	1,362,760	502,256
-	3,537,651	4,884,475	4,946,475	1,408,824
-	12,422,652	12,321,438	12,833,427	410,775
-	(2,556,044)	(2,213,011)	(1,835,207)	(720,837)
-	3,196,733	1,171,200	1,372,200	1,824,533
-	640,689	(1,041,811)	(463,007)	1,103,696
-	4,394,051	3,991,649	3,991,649	3,991,649
-	5,034,740	2,949,838	3,528,642	5,095,345

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2012

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted revenues by \$889,793 and budgeted disbursements by \$511,989. The amended budget amounts are reflected in the final budgeted numbers.

OTHER SUPPLEMENTARY INFORMATION

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue	Capital Projects	Debt Service		Permanant Cemetery Perpetual Care	Total
			#63 Debt Service	#65 Special Assessments		
Receipts:						
Property tax	\$ 46,037	-	228,990	-	-	275,027
TIF Collections	100,755	-	-	-	-	100,755
Other city tax	540,811	-	-	-	-	540,811
Use of money and property	4,750	3,283	575	1,504	-	10,112
Intergovernmental	394,408	986,991	-	-	-	1,381,399
Special assessments	-	-	-	121,720	-	121,720
Charges for services	-	-	-	-	-	-
Miscellaneous	59,019	6,558	-	-	3,826	69,403
Total receipts	1,145,780	996,832	229,565	123,224	3,826	2,499,227
Disbursements:						
Operating:						
Public safety	316,925	-	-	-	-	316,925
Public works	31,861	-	-	-	-	31,861
Health & Social Services	40,195	-	-	-	-	40,195
Culture and recreation	51,760	-	-	-	-	51,760
Community and economic devel.	90,556	359,446	-	-	-	450,002
General government	-	-	-	-	-	-
Debt service	-	2,649,721	513,164	-	-	3,162,885
Capital projects	13,400	839,866	-	-	-	853,266
Enterprise	-	-	-	-	-	-
Total disbursements	544,697	3,849,033	513,164	-	-	4,906,894
Excess (deficiency) of receipts over (under) disbursements	601,083	(2,852,201)	(283,599)	123,224	3,826	(2,407,667)
Other financing sources (uses):						
2011 Bond Proceeds	-	2,885,000	-	-	-	2,885,000
2011 Bond Premium	-	32,777	-	-	-	32,777
2011 Bond Expense	-	(68,055)	-	-	-	(68,055)
Operating transfers in	51,000	188,892	459,232	-	-	699,124
Operating transfers out	(606,254)	(187,892)	-	(255,469)	-	(1,049,615)
Net change in cash balances	45,829	(1,479)	175,633	(132,245)	3,826	91,564
Cash balances beginning of year	630,439	243,017	33,119	144,747	262,265	1,313,587
Cash balances end of year	\$ 676,268	241,538	208,752	12,502	266,091	1,405,151
Cash Basis Fund Balances						
Nonspendable-Cemetery Perpetual Care	\$ -	-	-	-	266,091	266,091
Restricted for Debt Service	-	-	208,752	12,502	-	221,254
Restricted for Other Purposes	676,268	241,538	-	-	-	917,806
Total cash basis fund balances	\$ 676,268	241,538	208,752	12,502	266,091	1,405,151

See accompanying independent auditor's report

City of Oelwein
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue
As of and for the year ended June 30, 2012

	#40 Lib Bldg Repairs	#47 Property Tax Relief	#50 Flex Spending	#51 Co Emer Mgmt	#52 2008 Lein	#53 Lein3-03	#54 Police Remodel	#55 IRP Revolving
Receipts:								
Property tax	-	-	-	13,642	-	-	-	-
Tax increemnt financing	-	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-	-
Use of money and property	-	58	-	-	-	-	546	355
Intergovernmental	-	-	-	-	-	294,469	-	99,939
Charges for Services	-	-	-	-	-	-	-	-
Miscellaneous	8,106	-	37,819	-	-	-	-	-
Total receipts	8,106	58	37,819	13,642	-	294,469	546	100,295
Disbursements:								
Operating:								
Public safety	-	-	-	12,996	-	293,157	-	-
Public works	-	-	-	-	-	-	-	-
Health & Social Service	-	-	40,195	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	34,419
General government	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	1,000	-	12,400	-
Enterprise	-	-	-	-	-	-	-	-
Total disbursements	-	-	40,195	12,996	1,000	293,157	12,400	34,419
Excess (deficiency) of receipts over (under) disbursements	8,106	58	(2,376)	645	(1,000)	1,312	(11,854)	65,876
Other financing sources:								
IRP Loan Proceeds	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	1,000	-	50,000	-
Operating transfers out	-	-	-	-	-	(1,500)	-	-
Net change in cash balances	8,106	58	(2,376)	645	-	(188)	38,147	65,876
Cash balances beginning of year	-	79,177	5,466	1,571	-	4,663	83,686	62,661
Cash balances end of year	8,106	79,235	3,090	2,216	-	4,475	121,833	128,537
Cash Basis Fund Balances								
Restricted for IRP	-	-	-	-	-	-	-	128,537
Restricted for Other Purposes	8,106	79,235	3,090	2,216	-	4,475	121,833	-
Total cash basis fund balances	8,106	79,235	3,090	2,216	-	4,475	121,833	128,537

See accompanying independent auditor's report

#56 Downtown TIF	#57 Motel/ Hotel Tax	#58 DARE	#59 Sales Tax	#68 Municipal Trust	#69 I-Jobs	#92 Industrial Park TIF	#94 Emergency	#96 James Dev TIF	#99 Forfitted Assets	Total
-	-	-	-	-	-	-	32,395	-	-	46,037
38,362	-	-	-	-	-	4,023	-	58,370	-	100,755
-	35,904	-	504,907	-	-	-	-	-	-	540,811
41	61	-	1,571	2,053	-	-	-	64	-	4,750
-	-	-	-	-	-	-	-	-	-	394,408
-	-	-	-	-	-	-	-	-	-	-
-	-	736	-	-	-	-	-	-	12,357	59,019
38,403	35,965	736	506,479	2,053	-	4,023	32,395	58,434	12,357	1,145,780
-	-	859	-	-	-	-	-	-	9,913	316,925
-	-	-	-	-	31,861	-	-	-	-	31,861
-	-	-	-	-	-	-	-	-	-	40,195
-	16,039	-	-	35,721	-	-	-	-	-	51,760
-	-	-	-	-	-	3,604	-	52,533	-	90,556
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	13,400
-	-	-	-	-	-	-	-	-	-	-
-	16,039	859	-	35,721	31,861	3,604	-	52,533	9,913	544,697
38,403	19,926	(122)	506,479	(33,669)	(31,861)	419	32,395	5,901	2,445	601,083
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	51,000
(38,403)	(17,900)	-	(509,736)	-	-	(419)	(32,395)	(5,901)	-	(606,254)
-	2,026	(122)	(3,257)	(33,669)	(31,861)	-	-	-	2,445	45,829
-	9,993	9,097	3,257	330,993	31,861	-	-	-	8,014	630,439
-	12,019	8,975	(0)	297,324	-	-	-	-	10,459	676,268
-	-	-	-	-	-	-	-	-	-	128,537
-	12,019	8,975	(0)	297,324	-	-	-	-	10,459	547,731
-	-	-	-	-	-	-	-	-	-	-
-	12,019	8,975	(0)	297,324	-	-	-	-	10,459	676,268

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2012

	#73 Capital Equipment	#77 2011 Bond Sale	#78 W Charles Mall	#79 Airport Grants	#82 Downtown Betterment	#83 Tri-Park Trail Ext
Receipts:						
Tax increment financing	\$ -	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Use of money and property	255	808	-	-	-	-
Intergovernmental	-	-	-	453,666	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	255	808	-	453,666	-	-
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	2,649,721	-	-	-	-
Capital projects	14,755	56,080	-	432,555	1,000	1,785
Enterprise	-	-	-	-	-	-
Total disbursements	14,755	2,705,801	-	432,555	1,000	1,785
Excess (deficiency) of receipts over (under) disbursements	(14,500)	(2,704,993)	-	21,111	(1,000)	(1,785)
Other financing sources (uses):						
2011 GO Bond Proceeds		2,885,000				
2011 GO Bond Premium		32,777				
2011 GO Bond Expense		(68,055)				
Operating transfers in	-	-	-	-	1,000	33,606
Operating transfers out	-	-	-	-	-	-
Net change in cash balances	(14,500)	144,729	-	21,111	-	31,821
Cash balances beginning of year	43,573	-	2,475	(42,311)	-	-
Cash balances end of year	\$ 29,073	144,729	2,475	(21,200)	-	31,821
Cash Basis Fund Balances						
Restricted for:						
Capital projects	\$ 29,073	144,729	2,475	(21,200)	-	31,821

See accompanying independent auditor's report

SCHEDULE 3

#85 2009 Bond Sale	#86 Trails- Platts/Wings	#87 Pave 10th St SE	#88 Neighborhood Stabilization	#89 Library Bond	#91 Iowa Brownsfield	#93 Pave 7th St	#97 2nd St Curb/Gutter	Total
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
418	165	525	120	-	-	19	973	3,283
-	16,553	-	507,372	-	-	9,400	-	986,991
-	-	-	-	-	-	-	-	-
-	-	-	-	6,558	-	-	-	6,558
418	16,718	525	507,492	6,558	-	9,419	973	996,832
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	359,446	-	-	-	-	359,446
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,649,721
29,665	7,786	238,578	-	-	50,105	7,557	-	839,866
-	-	-	-	-	-	-	-	-
29,665	7,786	238,578	359,446	-	50,105	7,557	-	3,849,033
(29,247)	8,932	(238,053)	148,046	6,558	(50,105)	1,862	973	(2,852,201)
								2,885,000
								32,777
								(68,055)
-	-	154,286	-	-	-	-	-	188,892
-	(33,606)	-	-	-	-	-	(154,286)	(187,892)
(29,247)	(24,674)	(83,767)	148,046	6,558	(50,105)	1,862	(153,313)	(1,479)
61,525	24,674	78,636	(68,325)	(21,486)	-	10,943	153,313	243,017
32,278	-	(5,131)	79,721	(14,928)	(50,105)	12,805	-	241,538
32,278	-	(5,131)	79,721	(14,928)	(50,105)	12,805	-	241,538

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2012

	#41 Water Bond Sinking	#70 Landfill	#71 Recycling
Receipts:			
Intergovernmental	\$ -	\$ -	-
Charges for services	-	215,843	79,909
Miscellaneous	-	-	-
Total receipts	-	215,843	79,909
Disbursements:			
Operating:			
Enterprise	130,129	220,364	82,192
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total disbursements	130,129	220,364	82,192
Excess (deficiency) of receipts over (under) disbursements	(130,129)	(4,521)	(2,283)
Other financing sources:			
Use of money and property	392	14	-
Operating transfers in	150,000	-	-
Operating transfers out	-	-	-
Net change in cash balances	20,263	(4,507)	(2,283)
Cash balances beginning of year	-	7,371	7,141
Cash balances end of year	\$ 20,263	\$ 2,864	4,858
Cash Basis Fund Balances			
Reserved	\$ -	\$ -	-
Unreserved	20,263	2,864	4,858
Total cash basis fund balances	\$ 20,263	\$ 2,864	4,858

See accompanying independent auditor's report

#72 Williams Center	#76 Customer Dep. Water	#81 Sewer Main Const	#84 Fuel	#95 1st Ave Lift	#98 Williams Ctr Reserve	Total
-	-	-	-	372,031	-	372,031
93,232	-	-	128,908	-	-	517,892
6,109	29,725	-	6,871	-	-	42,705
99,341	29,725	-	135,779	372,031	-	932,628
167,527	24,301	-	141,405	438,923	3,128	1,207,969
-	-	-	-	-	-	-
-	-	-	-	-	-	-
167,527	24,301	-	141,405	438,923	3,128	1,207,969
(68,186)	5,424	-	(5,626)	(66,892)	(3,128)	(275,341)
173	511	1,162	18	36	16	2,322
68,013	-	-	-	-	2,925	220,938
-	-	-	-	-	-	-
-	5,935	1,162	(5,608)	(66,856)	(187)	(52,081)
-	70,358	170,574	(1,334)	(96,369)	12,500	170,241
-	76,293	171,736	(6,942)	(163,225)	12,313	118,160
-	-	-	-	-	12,313	12,313
-	76,293	171,736	(6,942)	(163,225)	-	105,847
-	76,293	171,736	(6,942)	(163,225)	12,313	118,160

CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose and refunding notes Series 2005A	11-30-05	3.1-4.35%	3,995,000
General obligation corporate purpose bonds, Series 2009	5-1-09	1.25-4.0%	1,190,000
General Obligation corporate purpose and refunding bonds, Series 2011A	9-1-2011	2.0-3.0%	2,885,000
General Obligation corporate purpose and refunding bonds, Series 2010A	4-15-2010	2.0-3.0%	620,000
Revenue notes:			
Sewer revenue bonds, series 2005 State Revolving Funds (Fd # 90)	5-23-05	3.00%	8,954,000
Water revenue bonds, series 2010 State Revolving Funds (Fd # 41)	9-15-10	3.00%	1,700,000
U.S. Department of Agriculture Intermediary Relending Program (Fd # 55)	4-25-08	1.00%	500,000
			<u>Amount Available</u>
Revolving Line of Credit Half of note is with Fidelity Bank of Oelwein, Iowa and the other half is with Community Bank of Oelwein, Iowa-Note is for Donaldson Building (Fd # 75)	1-9-04	Variable 5.25% tied to Prime, Floor 5.25% Due 1/10/2013	600,000

see accompanying independent auditor's report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
2,785,000	-	2,785,000	-	114,223	-
1,125,000	-	45,000	1,080,000	36,975	-
-	2,885,000	-	2,885,000	48,212	-
485,000	-	120,000	365,000	12,150	-
<u>\$ 4,395,000</u>	<u>2,885,000</u>	<u>2,950,000</u>	<u>4,330,000</u>	<u>211,559</u>	<u>-</u>
<u>\$ 7,180,000</u>	<u>-</u>	<u>386,000</u>	<u>6,794,000</u>	<u>215,400</u>	<u>-</u>
<u>\$ 995,289</u>	<u>347,111</u>	<u>90,000</u>	<u>1,252,400</u>	<u>35,880</u>	<u>-</u>
<u>\$ 500,000</u>	<u>-</u>	<u>16,263</u>	<u>483,737</u>	<u>4,962</u>	<u>-</u>
<u>\$ 52,179</u>	<u>-</u>	<u>34,064</u>	<u>18,115</u>	<u>1,905</u>	<u>-</u>

CITY OF OELWEIN

BOND MATURITIES AND NOTES
June 30, 2012

General Obligation Corporate Purpose and Refunding Note			General Obligation Corporate Purpose Series 2009		General Obligation Corporate Purpose and Refunding	
Issued September 1, 2011			Issued May 1, 2009		Issued April 15, 2010	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	2.00%	320,000	2.00%	50,000	2.00%	120,000
2014	2.00%	170,000	-	-	3.00%	200,000
2015	2.00%	330,000	2.50%	115,000	3.00%	45,000
2016	2.00%	305,000	3.00%	140,000		
2017	2.00%	315,000	3.20%	145,000		
2018	2.05%	320,000	3.40%	150,000		
2019	2.30%	330,000	3.60%	155,000		
2020	2.55%	340,000	3.80%	160,000		
2021	2.75%	355,000	4.00%	165,000		
2022	2.90%	100,000				
		<u>\$ 2,885,000</u>		<u>1,080,000</u>		<u>365,000</u>
Revenue Note Sewer Revenue Bond			Revenue Note Water Revenue Bond			
Issued May 23, 2005			Issued September 15, 2010			
	Interest Rates	Amount		Interest Rates	Amount	
2013	3.00%	398,000	3.00%	93,000		
2014	3.00%	410,000	3.00%	96,000		
2015	3.00%	422,000	3.00%	99,000		
2016	3.00%	435,000	3.00%	102,000		
2017	3.00%	448,000	3.00%	105,000		
2018	3.00%	461,000	3.00%	109,000		
2019	3.00%	475,000	3.00%	112,000		
2020	3.00%	490,000	3.00%	116,000		
2021	3.00%	504,000	3.00%	120,000		
2022	3.00%	519,000	3.00%	123,000		
2023	3.00%	535,000	3.00%	127,000		
2024	3.00%	551,000	3.00%	132,000		
2025	3.00%	567,000	3.00%	136,000		
2026	3.00%	579,000	3.00%	140,000		
		<u>6,794,000</u>		<u>1,610,000</u>		

This schedule is based on the City drawing the entire \$1,700,000. As of June 30, 2012 the City had only drawn down \$1,342,300.

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Seven Years--Years Ended June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:			
Property tax	\$ 2,088,591	2,193,856	1,924,356
Tax increment financing	100,755	77,819	152,164
Other city tax	980,861	796,829	504,753
Licenses and permits	80,746	90,508	82,745
Use of money and property	237,050	211,957	182,723
Intergovernmental	2,064,616	1,655,035	1,451,034
Charges for service	169,503	178,473	157,251
Special assessments	121,720	140,773	125,985
Miscellaneous	332,566	255,986	416,260
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 6,176,408</u>	<u>5,601,236</u>	<u>4,997,271</u>
Disbursements:			
Operating:			
Public safety	\$ 1,736,134	1,657,381	1,612,823
Public works	845,566	721,848	699,846
Health and social services	40,195	36,096	26,342
Culture and recreation	832,448	734,580	709,608
Community and economic development	1,044,115	1,113,995	537,523
General government	363,154	348,957	327,414
Debt service	3,162,885	526,090	1,415,055
Capital projects	860,504	254,967	807,293
Enterprise	21	134,643	536,959
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 8,885,022</u>	<u>5,528,557</u>	<u>6,672,863</u>

See accompanying independent auditor's report

Schedule 7

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,848,092	1,812,366	1,828,186	1,746,846	1,653,158
150,020	136,547	138,099	161,607	155,521
531,325	474,004	508,516	399,905	394,643
77,139	72,053	73,689	67,977	61,375
137,646	271,087	199,268	184,814	104,457
1,438,224	1,191,561	1,698,867	1,743,440	1,375,291
132,138	145,868	157,803	144,706	407,599
186,564	131,537	37,166	41,252	45,058
508,329	395,268	576,110	397,606	341,271
<u>5,009,477</u>	<u>4,630,291</u>	<u>5,217,704</u>	<u>4,888,153</u>	<u>4,538,373</u>
1,470,636	1,506,802	1,508,523	1,649,099	1,952,294
654,838	641,866	545,938	525,040	531,129
22,210	19,092	14,927	10,929	-
664,204	673,792	595,684	536,794	495,819
743,863	673,493	387,696	207,295	155,908
346,965	250,274	248,696	283,983	224,816
741,453	754,716	1,637,853	375,937	261,230
762,187	1,001,904	3,334,784	4,373,910	2,056,814
15,941	53	-	-	-
<u>5,422,297</u>	<u>5,521,992</u>	<u>8,274,101</u>	<u>7,962,987</u>	<u>5,678,010</u>

City of Oelwein
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
<u>Indirect:</u>			
<u>Department of Homeland Security</u>			
Iowa Department of Public Defense			
Initial Strategy Implementation Plan	97.067	2009-SS-T9-0034-09	28,726
National Infrastructure Protection Plan	97.067	2010-SS-T00031	265,744
FEMA	97.036	Disaster #1930 #065-58620-00	13,428
<u>U.S. Department of Justice</u>			
Iowa Department of Justice			
DASART-Stop Violence Against Women	16.588	VW-12-80D	1,421
<u>U.S. Department of Transportation</u>			
Iowa Department of Public Safety			
Alcohol Incentive Grant	20.601	PAP 12-410, Task 56	14,432
Airport Improvement Program	20.106	3-19-0067-04-2010	20,456
	20.106	3-19-0067-05-2011	389,054
Iowa Department of Transportation			
Pave 7th Street # 63	20.250	STP-U-5657(609)-70-33 Agree#2-08-STPU-038	9,400
Platts to Wings	20.25	STP-E-5657(610)-8V-33 Agree#09-STPE-119	16,552
<u>Department of Housing and Urban Development</u>			
Iowa Department of Economic Development			
Water System Improvement	14.228	09-WS-044	200,029
Neighborhood Stabilization	14.228	08-NSP-013	395,780
	Total		<u>\$ 1,355,022</u>

Basis of Presentation-

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oelwein and is presented in conformity With an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the

See accompanying independent auditor's report

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2012. Our report expressed unqualified opinions on the financial statements which are prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Oelwein's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Oelwein's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Oelwein's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II in the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuellig, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTS

October 17, 2012

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Honorable Mayor and
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2012. The City of Oelwein's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oelwein's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oelwein's compliance with those requirements.

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of

Oelwein's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oelwein's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected on a timely basis.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the formation and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

October 17, 2012

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) Major programs were CFDA Number 20.106 Airport Improvement and 14.228-Neighborhood Stabilization.
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein qualified as a low-risk auditee.

Part II - Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-12 Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation-We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will consider this.

Conclusion- Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

II-B-12 Accounting Staff Technical Expertise-The City of Oelwein, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America to comply with the State's requirements or to comply with GASB 34 and therefore, it relies on its auditors to prepare such statements.

Response-Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion-Response accepted.

II-C-12 Unrecorded Receipts and Disbursements-Upon issuance of the 2011 General Obligation Bonds in September 2011 the funds were deposited with an Escrow Agent due to the fact that the 2005 G.O. Bonds could not be paid off until June 2012. The issuance contained a Pre-offering(revenue), an Underwriters Discount(expense), and Issuance Expenses. Subsequently the 2005 G.O. Bonds were paid off by the Escrow Agent. In addition the Escrow Agent paid interest on the 2011 G.O. Bonds. These transactions were not recorded on the City books.

The City did make an entry to record the June 1, 2012 principal payment of \$180,000 on the 2005 G.O. Bonds by recording the 2011 G.O. Bonds amount, net of the \$200,000 actually received and recorded by the City, and offsetting that with the actual payoff of the 2005 G.O. Bonds. This was all done under one account and had the effect of showing a net payment of \$180,000, but since it was in one account it did not show the gross proceeds of the 2011 G.O. Bonds as a receipt nor the payoff of the 2005 G.O. Bonds as an expenditure.

Recommendation-On any future bond issuance where the proceeds do not get deposited into the City accounts, the City needs to be sure to record all transactions including those by the Escrow Agent. Proceeds of the debt need to be shown as revenue and payment of debt as an expenditure.

Response-In any future bond issuance we will record all proceeds and disbursements, including any transactions with an Escrow Agent.

Conclusion-Response accepted.

Instances of non-compliance:

No matters were noted.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

Part III — Findings and Questioned Cost for Federal Awards:

There were no findings or questioned costs for Federal Awards.

Part IV — Other Findings Related to Statutory Reporting:

IV-A-12 Certified Amended Budget--Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the Health and Social Services and the Debt Service functions. Chapter 384.20 of the Code of Iowa states, that, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation — The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response — The budget will be amended in the future, if applicable.

Conclusion--Response accepted.

IV-B-12 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions--No business transactions between the City and City officials or employees were noted.

IV-E-12 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

IV-F-12 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-12 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

- IV-H-12 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2012, the investments resulted in interest income of \$44,408.
- IV-I-12 Financial Condition--At June 30, 2012 the City had a deficit balances in the Airport Grants fund, the Pave 10th St fund, the Iowa Brownsfield fund, the fuel fund, the 1st Ave fund, and the Water Improvement fund which the City considers temporary in nature. In addition the City had a deficit in the Library Bond fund which does not appear temporary and the City may need to satisfy with a transfer of funds.
- IV-J-12 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.
- IV-K-12 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA, Manager
James Remington, Staff